

Telekom Malaysia (T MK)

4Q25: In Line, Bearish 2026 Undertone With Flattish EBIT

Highlights

- TM reported 4Q25 core net profit of RM363m (+73% yoy; -39% qoq), driven by healthy Unifi revenue contribution and strong wholesale projects. This was partly offset by higher depreciation charges. 2025 core net profit of RM1,750m (+10% yoy) is deemed in line with expectations.
- TM declared a second interim net DPS of 12.5 sen and a special net DPS of 6 sen. This brings 2025 total net DPS to 31 sen, based on a 70% dividend payout.
- We trim our 2026-27 earnings estimates by 3-10%. Maintain HOLD with a marginally higher DCF-based target price of RM7.50, as we roll over our valuation window.

4Q25 Results

Year to 31 Dec (RMm)	4Q25	qoq % chg	yoy % chg	2025	yoy % chg
Turnover	3,256.7	8.9	6.8	11,872.0	1.4
COGS	(2,540.2)	31.0	23.4	(7,994.3)	7.8
EBITDA	827.1	(28.2)	(19.6)	4,204.3	(5.4)
Pre-Tax Profit	304.4	(58.1)	(18.0)	2,126.4	(2.3)
Tax	(68.8)	110.4	(118.5)	(392.3)	183.7
Reported Net Profit	222.5	(67.6)	(69.5)	1,713.0	(15.1)
Core Net profit	363.2	(39.4)	72.8	1,749.7	10.4
	4Q25	+/- ppt	+/- ppt	2025	+/- ppt
EBITDA Margin (%)	14.8	(19.8)	(18.2)	31.3	(6.6)
PBT Margin (%)	6.8	(13.3)	(6.0)	16.3	0.4
Core Net Margin (%)	11.2	(8.9)	4.3	14.7	1.2
Segmental Revenue Breakdown	4Q24	1Q25	2Q25	3Q25	4Q25
Unifi	47.7%	48.6%	49.7%	47.3%	45.9%
TM One	25.6%	23.5%	24.2%	22.8%	23.4%
TM Global	25.6%	26.7%	25.1%	28.7%	30.1%
Others	1.1%	1.2%	1.1%	1.2%	0.7%

Source: TM, UOB Kay Hian

Analysis

- 2025 results in line.** Telekom Malaysia (TM) reported 4Q25 net profit of RM223m. This included: a) undisclosed gain on copper asset sales, b) around RM295m elevated employee separation expenses, and c) forex losses amounting to RM30m. Stripping these out, 4Q25 core net profit came in RM363m (+73% yoy; -39% qoq) and 2025 underlying net profit stood at RM1,750m (+10% yoy). Key drivers were: a) healthy number of Unifi subscribers and stable ARPU, and b) strong TM wholesale earnings contribution driven by data centre (DC) and connectivity.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2027F
Net turnover	11,712	11,872	13,008	13,503	13,944
EBITDA	4,474	4,204	4,426	4,794	4,858
Operating profit	2,325	2,026	2,227	2,557	2,645
Net profit (rep./act.)	2,017	1,713	1,672	1,930	1,937
Net profit (adj.)	1,585	1,750	1,672	1,930	1,937
EPS	41.3	45.6	43.6	50.3	50.5
PE	18.8	17.0	17.8	15.4	15.4
P/B	2.9	2.8	2.7	2.5	2.4
EV/EBITDA	6.8	7.0	6.6	6.0	5.8
Dividend yield	4.0	4.0	3.8	4.4	4.4
Net margin	13.5	14.7	12.9	14.3	13.9
Net debt/(cash) to equity	3.9	(5.3)	(7.2)	(10.2)	(16.5)
Interest cover	5.4	4.7	9.9	10.5	9.6
ROE	15.7	16.5	15.0	16.4	15.7
Consensus net profit	-	-	1,806.0	1,866.0	2,260.0
UOBKH/Consensus (x)	-	-	0.93	1.03	0.86

Source: TM, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM7.75
Target Price	RM7.50
Upside	-3.2%
Previous TP	RM7.00

Analyst(s)

Chong Lee Len

leelen@uobkayhian.com

(603) 2147 1992

Stock Data

GICS Sector	Communication Services
Bloomberg ticker	T MK
Shares issued (m)	3,837.7
Market cap (RMm)	29,742.5
Market cap (US\$m)	7,640.4
3-mth avg daily t'over (US\$m)	10.4

Price Performance (%)

52-week high/low				RM8.30/RM6.19
1mth	3mth	6mth	1yr	YTD
(2.6)	5.6	8.8	12.3	(3.7)

Major Shareholders

	%
Employees Provident Fund	22.9
Khazanah Nasional Bhd	20.1
Kumpulan Wang Persaraan	10.3

Balance Sheet Metrics

	%
FY26F NAV/Share (RM)	2.79
FY26F Net Cash/Share (RM)	0.07

Price Chart



Source: Bloomberg

Company Description

Fixed line operator that provides services including fixed voice, mobile, fixed broadband, and leasing of fibre optics. It also provides ICT solutions to corporates/SMEs.

- **Dividends in line with 2024, market expected more.** TM declared a second interim net DPS of 12.5 sen and a special DPS of 6 sen. This brings full-year net DPS to 31 sen (similar to 2024), based on a 70% dividend payout. Net dividend yield was 4%. While we believe a 70% dividend payout was healthy, market may have hoped for a higher payout and as such, was disappointed.
- **Share price retraced 5% after the release of the results.** We believe this is due to several factors: a) weaker qoq earnings – due to a hefty RM295m voluntary separation scheme (VSS) charge in 4Q25; b) lack of higher dividends; and c) more VSS to be booked in 2026.
- **Provision of RM127m for termination of 5G wholesale agreement with DNB.** TM has terminated its existing 5G wholesale access agreement with Digital Nasional (DNB) and entered into a new 5G Multi-Operator Core Network arrangement with U Mobile. We understand that the agreement with U Mobile is structured on a pay-per-use basis (subject to a minimum capacity take up) and may lead to cost savings of RM100m annually. That said, TM is expected to recognise a one-off RM127.3m provision in 2026, relating to unutilised prepaid capacity from its previous agreement with DNB.
- **Unifi's 4Q25 revenue was healthy at RM 1,495m (+3% yoy; +6% qoq).** Net adds for the quarter stood at 22,000 customers while ARPU rose 5% qoq to RM107/month.
- **TM One.** 4Q25 revenue rose 11% qoq but dropped 3% yoy to RM761m, driven by continued growth in cloud, ICT, and digital solutions. The yoy decline was due to the effect of project delivery timing and a one-off settlement in the previous year.
- **Strong TM Global revenue of RM980m (+26% yoy; +14% qoq)** underpinned by healthy 5G mobile backhaul execution progress (from UMobile), continued DC solutions demand and high-speed broadband access.

Valuation/Recommendation

- **Maintain HOLD with a marginally higher DCF-based target price of RM7.50, as we roll over our valuation window.** Our target price has factored in a 64MW JV DC with Singapore Telecommunications. The DC will be a four-storey building and is expected to be operational in 2026. A blue-sky scenario (200MW DC) implies a fair value of RM8.30.

Earnings Revision/Risk

- **We trim our 2026-27 earnings estimates** by 3-10%, on the back of elevated staff cost from anticipated employee separation exercises (VSS) and RM127m impairment from 5G wholesale termination with DNB.
- **Bearish 2026 guidance** as management expects EBIT to be flat at RM2b. Capex is also higher at 18-20% of total revenue, focused on capacity upgrades on existing submarine cables and network capacity and range enhancement.

Environmental, Social, Governance (ESG)

Environmental

- Achieved 30% carbon emission reduction from 2019 baseline in 2024 through managing direct emissions, reducing energy-related emissions and adopting renewable energy generation.

Social

- Contributed nearly RM1.2m (through Yayasan TM and partnerships) to provide humanitarian relief efforts nationwide, assisting over 25,000 people from the affected communities.

Governance

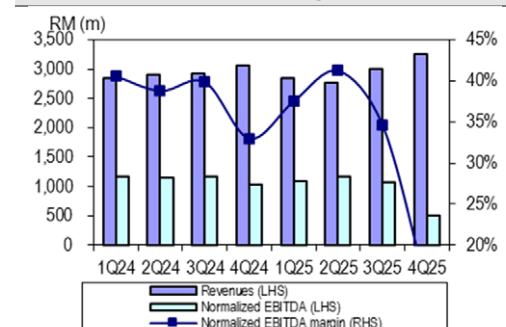
- Integrity screening of new vendors' background through MACC's Integrity Screening E-System.

Performance Guidance For 2026

	FY 2025	FY 2026 Guidance
Revenue Growth	+1.4%	Low single-digit increase
EBIT	RM2.026bil *Underlying EBIT: RM2.470bil	Similar level to 2025
Capex/Revenue	16.1%	18%-20%

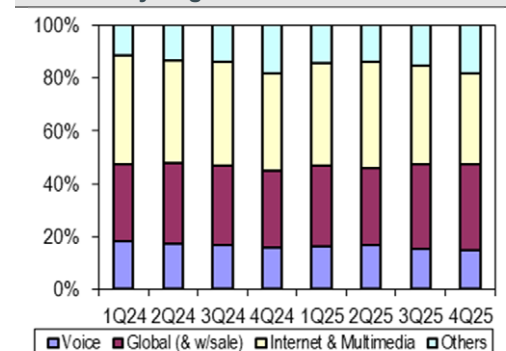
Source: TM

Revenue And EBITDA Margin



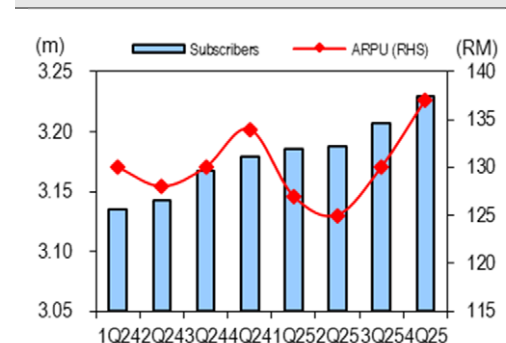
Source: TM, UOB Kay Hian

Revenue By Segment



Source: TM, UOB Kay Hian

Unifi Subscriber And ARPU



Source: TM, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,872.0	13,007.7	13,502.8	13,944.0
EBITDA	4,204.3	4,426.5	4,793.9	4,858.1
Deprec. & amort.	2,178.7	2,199.9	2,236.8	2,213.5
EBIT	2,025.6	2,226.6	2,557.1	2,644.6
Associate contributions	4.3	4.3	4.3	4.3
Net interest income/(expense)	(229.4)	(84.4)	(75.8)	(54.0)
Pre-tax profit	2,126.4	2,146.5	2,485.6	2,594.9
Tax	(392.3)	(450.8)	(522.0)	(622.8)
Minorities	(21.1)	(24.0)	(33.8)	(34.8)
Net profit	1,713.0	1,671.8	1,929.8	1,937.3
Net profit (adj.)	1,749.7	1,671.8	1,929.8	1,937.3

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,518.9	3,723.1	4,137.6	4,247.6
Pre-tax profit	2,126.4	2,146.5	2,485.6	2,594.9
Tax	(392.3)	(450.8)	(522.0)	(622.8)
Deprec. & amort.	2,178.7	2,199.9	2,236.8	2,213.5
Associates	(4.3)	(4.3)	(4.3)	(4.3)
Working capital changes	432.6	(168.2)	(58.5)	66.3
Non-cash items	(822.2)	-	-	-
Investing	(1,197.0)	(2,341.4)	(2,430.5)	(2,091.6)
Capex (growth)	(1,915.0)	(2,341.4)	(2,430.5)	(2,091.6)
Investments	2.9	-	-	-
Others	715.1	-	-	-
Financing	(2,618.6)	(1,647.6)	(1,265.6)	(1,269.3)
Dividend payments	(1,189.7)	(1,136.7)	(1,312.1)	(1,317.2)
Issue of shares	0.2	-	-	-
Proceeds from borrowings	(1,429.1)	(510.9)	46.5	47.9
Others/interest paid	-	-	-	0.0
Net cash inflow (outflow)	(296.7)	(265.9)	441.5	886.7
Beginning cash & cash equivalent	2,973.1	2,485.7	2,219.8	2,661.3
Changes due to forex impact	0.1	-	-	-
Ending cash & cash equivalent	2,485.7	2,219.8	2,661.3	3,548.1

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	11,407.7	11,549.2	11,743.0	11,621.0
Other LT assets	2,846.9	2,851.2	2,855.5	2,859.8
Cash/ST investment	2,622.8	2,356.9	2,798.4	3,685.2
Other current assets	3,581.8	4,001.7	4,117.7	4,221.1
Total assets	20,459.2	20,759.1	21,514.6	22,387.1
ST debt	510.9	526.2	542.0	558.3
Other current liabilities	5,220.0	5,471.8	5,529.3	5,698.9
LT debt	1,550.9	1,024.7	1,055.4	1,087.1
Other LT liabilities	2,416.3	2,416.3	2,416.3	2,416.3
Shareholders' equity	10,587.2	11,122.3	11,739.9	12,360.0
Minority interest	173.9	197.9	231.7	266.5
Total liabilities & equity	20,459.2	20,759.1	21,514.6	22,387.1

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	35.4	34.0	35.5	34.8
Pre-tax margin	35.0	33.6	37.3	37.6
Net margin	14.7	12.9	14.3	13.9
ROA	8.6	8.1	9.0	8.7
ROE	16.5	15.0	16.4	15.7
Growth				
Turnover	1.4	9.6	3.8	3.3
EBITDA	(6.0)	5.3	8.3	1.3
Pre-tax profit	(2.3)	0.9	15.8	4.4
Net profit	(15.1)	(2.4)	15.4	0.4
Net profit (adj.)	10.4	(4.5)	15.4	0.4
EPS	10.4	(4.5)	15.4	0.4
Leverage				
Debt to total capital	0.1	0.1	0.1	0.1
Debt to equity	0.2	0.1	0.1	0.1
Net debt/(cash) to equity	0.1	0.1	0.1	0.2
Interest cover (x)	4.7	9.9	10.5	9.6

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."